

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE OF 1986

SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.

Except as otherwise provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIREMENT INVESTMENT TRUST.

Subsection (c) of section 501 is amended by adding at the end the following new paragraph:

“(28) The Railroad Retirement Investment Trust established under section 15(j) of the Railroad Retirement Act of 1974.”

SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.

(a) REPEAL OF TAX ON EMPLOYEE REPRESENTATIVES.—Section 3211 is amended by striking subsection (b).

(b) REPEAL OF TAX ON EMPLOYERS.—Section 3221 is amended by striking subsections (c) and (d).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2000.

SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.

(a) RATE OF TAX ON EMPLOYERS.—Subsection (b) of section 3221 is amended to read as follows:

“(b) TIER 2 TAX.—

“(1) IN GENERAL.—In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the applicable percentage of the compensation paid during any calendar year by such employer for services rendered to such employer.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means—

“(A) 15.6 percent in the case of compensation paid during 2001,

“(B) 14.2 percent in the case of compensation paid during 2002, and

“(C) in the case of compensation paid during any calendar year after 2002, the percentage determined under section 3241 for such calendar year.”.

(b) RATE OF TAX ON EMPLOYEE REPRESENTATIVES.—Section 3211, as amended by section 203, is amended by striking subsection (a) and inserting the following new subsections:

“(a) TIER 1 TAX.—In addition to other taxes, there is hereby imposed on the income of each employee representative a tax equal to the applicable percentage of the compensation received during any calendar year by such employee representative for services rendered by such employee representative.

“(b) TIER 2 TAX.—

“(1) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of each employee representative a tax equal to the applicable percentage of the compensation received during any calendar year by such employee representatives for services rendered by such employee representative.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means—

“(A) 14.75 percent in the case of compensation received during 2001,

“(B) 14.20 percent in the case of compensation received during 2002, and

“(C) in the case of compensation received during any calendar year after 2002, the percentage determined under section 3241 for such calendar year.

“(c) CROSS REFERENCE.—

“**For application of different contribution bases with respect to the taxes imposed by subsections (a) and (b), see section 3231(e)(2).**”.

(c) RATE OF TAX ON EMPLOYERS.—Subsection (b) of section 3201 is amended to read as follows:

“(b) TIER 2 TAX.—

“(1) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of each employee a tax equal to the applicable percentage of the compensation received during any calendar year by such employee for services rendered by such employee.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means—

“(A) 4.90 percent in the case of compensation received during 2001 or 2002, and

“(B) in the case of compensation received during any calendar year after 2002, the percentage determined under section 3241 for such calendar year.”.

(d) DETERMINATION OF RATE.—Chapter 22 is amended by adding at the end thereof the following new subchapter:

“Subchapter E—Tier 2 Tax Rate Determination

“Sec. 3241. Determination of tier 2 tax rate based on average account benefits ratio.

“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED ON AVERAGE ACCOUNT BENEFITS RATIO.

“(a) IN GENERAL.—For purposes of sections 3201(b), 3211(b), and 3221(b), the applicable percentage for any calendar year is the percentage determined in accordance with the table in subsection (b).

“(b) TAX RATE SCHEDULE.—

Average account benefits ratio		Applicable percentage for sections 3211(b) and 3221(b)	Applicable percentage for section 3201(b)
At least	But less than		
2.5	2.5	22.1	4.9
3.0	3.0	18.1	4.9
3.5	3.5	15.1	4.9
4.0	4.0	14.1	4.9
4.5	4.5	13.1	4.9
5.0	5.0	12.6	4.4
5.5	5.5	12.1	3.9
6.0	6.0	11.6	3.4
6.5	6.5	11.1	2.9
7.0	7.0	10.1	1.9
7.5	7.5	9.1	0.9
8.0	8.0	8.2	0

“(c) DEFINITIONS RELATED TO DETERMINATION OF RATES OF TAX.—

“(1) AVERAGE ACCOUNT BENEFITS RATIO.—For purposes of this section, the term ‘average account benefits ratio’ means, with respect to any calendar year, the average determined by the Secretary of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year. If the amount determined under the preceding sentence is not a multiple of 0.1, such amount shall be increased to the next highest multiple of 0.1.

“(2) ACCOUNT BENEFITS RATIO.—For purposes of this section, the term ‘account benefits ratio’ means, with respect to any fiscal year, the amount determined by the Railroad Retirement Board by dividing the fair market value of the assets in the Railroad Retirement Account and of the Railroad Retirement Investment Trust (and for years before 2001, the Social Security Equivalent Benefits Account) as of the close of such fiscal year by the total benefits and adminis-

trative expenses paid from the Railroad Retirement Account and the Railroad Retirement Investment Trust during such fiscal year.

“(d) NOTICE.—No later than December 1 of each calendar year, the Secretary shall publish a notice in the Federal Register of the rates of tax determined under this section which are applicable for the following calendar year.”.

(e) CONFORMING AMENDMENTS.—

(1) Section 24(d)(3)(A)(iii) is amended by striking “section 3211(a)(1)” and inserting “section 3211(a)”.

(2) Section 72(r)(2)(B)(i) is amended by striking “section 3211(a)(2)” and inserting “section 3211(b)”.

(3) Paragraphs (2)(A)(iii)(II) and (4)(A) of section 3231(e) is amended by striking “3211(a)(1)” and inserting “3211(a)”.

(4) Section 3231(e)(2)(B)(ii)(I) is amended by striking “3211(a)(2)” and inserting “3211(b)”.

(5) The table of subchapters for chapter 22 is amended by adding at the end the following new item:

“Subchapter E. Tier 2 tax rate determination.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2000.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. SHUSTER) and the gentleman from Minnesota (Mr. OBERSTAR) each will control 20 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. SHUSTER).

Mr. SHUSTER. Mr. Speaker, I ask unanimous consent to yield 5 minutes of my time to the gentleman from Michigan (Mr. SMITH) and that he be allowed to control said time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. OBERSTAR. Mr. Speaker, I ask unanimous consent to yield 5 minutes of my time to the gentleman from Michigan (Mr. SMITH) for the purposes of yielding time to others, as well for the purposes of managing 5 minutes.

Mr. SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The SPEAKER pro tempore. The gentleman from Michigan will control 10 minutes.

Mr. SHUSTER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in strong support of this bipartisan measure which represents the most comprehensive modernization of the railroad retirement system in nearly two decades.

The bill is also the fruit of an arduous 2-year labor-management negotiating process, followed by consideration in two different committees of the House. I particularly want to commend on the Committee of Transportation and Infrastructure our ranking member, the gentleman from Minnesota (Mr. OBERSTAR); the gentleman from Wisconsin (Mr. PETRI), chairman of the Subcommittee on Ground Transportation; and the gentleman from West Virginia (Mr. RAHALL), the ranking member, who have all provided